

From: Paul Guppy
To: Microsoft ATR
Date: 1/25/02 8:09pm
Subject: Microsoft settlement.

January 25, 2002

To:
Judge Colleen Kollar-Kotelly
c/o Antitrust Division
U.S. Department of Justice
601 ?D? Street, N.W.
Suite 1200
Washington, D.C., 20530

Attn: Renata B. Hesse
Subject: Comment on Proposed Final Judgment in the Microsoft Case.

Dear Judge Kollar-Kotelly

We respectfully encourage you to accept the proposed settlement in the anti-trust case involving Microsoft. We are an association of independent, state-based, non-partisan policy research groups dedicated to promoting free markets and open competition.

This settlement reflects a triumph of the rule of law. It is a perfect map of remedies laid alongside the areas where the Appeals Court found against Microsoft. Certain Microsoft competitors and other critics of the proposed settlement make the core of their objections a call for more stringent restrictions, ranging from prohibition on what they call ?product tying? to a breakup of the company. More extreme critics complain that the remedies do not address products that were not even part of the case.

These objections ignore the decision of the Appeals Court which reversed much of Judge Jackson's original findings. The Appeals Court threw out findings on many fronts related to Microsoft's anti-monopolistic behavior. One key area rejected was the basis used for claiming that integrating Internet Explorer and Windows represented monopoly abuse. The court went further to state that any new burden of proof for "tying" would be immense. The court also rejected the breakup order and made it clear such an order moving forward would be difficult to sustain given the court "drastically altered [i.e., reduced] the scope of Microsoft's liability."

One final objection raised by critics is that Microsoft has a past history of consent decree violation so the company cannot be trusted to adhere to a new decree. This is a patently false assertion. The Appeals Court in June of 1998 rejected the very claim that sent the parties into litigation ? the Department of Justice claim that Microsoft had violated an earlier consent decree. Furthermore, this settlement takes the extraordinary step of creating an onsite oversight body. There are, therefore, no legitimate

grounds for an assertion that a consent decree will not constrain Microsoft's behavior in the ways the court intends.

Rather, the proposed settlement directly and concretely addresses each and every key finding upheld by the Appeals Court, and does so with an undeniably stringent remedy. The areas of violation addressed include requiring OEMs to preserve visible access to Internet Explorer, to preserve the original boot sequence, to preserve all Microsoft-supplied desktop icons; entering into exclusive contracts with Internet Access Providers; threatening companies over support for other middleware technologies; and every other key area identified by the Appeals Court.

In our view, there can be no valid objection to this settlement because every major finding of the Appeals Court is stringently addressed with a targeted remedy that specifically prohibits and prevents the behavior in question.

Acceptance of the proposed settlement will send a signal throughout American industry and the country as a whole that in the United States rule of law is alive and well - that defendants face remedies only for those findings against them. Anything beyond this settlement would represent a victory for those who do not seek remedy but rather also unwarranted punishment, and this would be a serious blow to the smooth functioning of free markets and the law that protects them. Participants in the American economy would forever be forced to fear whether the laws they rely upon to safely conduct business will be applied fairly.

As leaders in advancing free market competition in our respective states we believe this settlement serves the best interests of the American public. It fairly resolves a complex and burdensome anti-trust case that is having severe impacts far beyond one company, a case that is acting as a drag on one of the most vibrant sectors of our economy. Settlement of this case will free the high-technology industry to put its fullest efforts into innovation and creativity, and will spur competition in a way that will directly benefit consumers.

Thank you for your consideration.

Signed,*

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Founded in 1992, the State Policy Network (SPN) is an association of independent, non-profit, state-based policy research groups dedicated to promoting free markets and open competition.